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DATE OF INFO. December 1948 - 17 April 1949

SUPPLEMENT TO
REPORT NO.

25X1X

1. The General Direction of the Federal Cellulose and Paper Industry of Yugoslavia has had to reduce industrial production quotas because of raw material shortages and poor maintenance of foreign-manufactured machinery. The chief products of the Yugoslav industry are sulfite and a limited amount of sodium cellulose. A poor grade of cellulose is produced and even the bleached cellulose is inferior in quality to that manufactured abroad. Since the best grades of Yugoslav lumber are exported to Italy, coniferous woods similar to pitwood are allocated to the cellulose industry. Source estimates that the Yugoslav cellulose industry was able to fulfill only 45 percent of the cellulose requirements of the Yugoslav Army. In order to forestall official reprimands or punitive measures, cellulose and paper manufacturers have falsified their reports to the General Direction on production statistics and other technical data. In addition to material shortages, the factories have also suffered personnel losses because most skilled technicians have been assigned to administrative positions with the General Directorate and [REDACTED] there are only three qualified engineers now employed in the sixteen paper mills of Slovenia.
2. All transactions for the import of raw materials and machinery used by the cellulose and paper industries are arranged through "Hempro". Most raw materials are purchased from Italy; a few products such as felt and screens from France and Germany and various other items are obtained through "Transjug" or "Adria", an export firm in Vienna.* Machine spare parts are purchased from the "Brusko" factory, the Skoda Works in Czechoslovakia, and J.M. Voith and Bruderhaus in Austria.
3. The most important Yugoslav cellulose plants include a plant at Videm near Krsko, which has an annual output of 15,000 tons, a plant at Goricanje near Medvoje with an annual output of 10,000 tons, and a Zagreb plant which produces 5,000 tons a year. A new sulfite cellulose plant is under construction at Prijedor in Bosnia, in a marshy area, 1,000 meters by 300 meters, of which about one-half is already used for lumber warehouses. This plant will consist of 14 buildings, including nine production units, one workshop, an administration and laboratory building, a sentry house, a trade union hall which will contain a mess hall, and a caloric power plant. Although construction work on the power plant has not yet started, the machinery for the plant is already mounted. This machinery is used machinery purchased from Sweden, which also supplied a number of U.S. manufactured spare parts.

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CENTRAL INTELLIGENCE AGENCY

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- 25X1A 3. Originally scheduled to begin production in the summer of 1948, to date less than 50 percent of the sulfite cellulose plant has been built, and the 1949 allocation of funds for this project has not yet been made. Workers have not been paid for some time, and [REDACTED], the General Direction has directed that no more credit be extended to this project. The director of the Prijedor plant, Josip Mesaric, is a soap manufacturer and laboratory technician in Zagreb. Mesaric, a former employee of the Ministry of Industry in Belgrade, is described as a Communist, veteran Partisan, about 30 years old, incompetent in his job. The chief construction engineer, Singer, 54 years old, is thought to be corruptible. Plans of the General Direction for 1949-50 call for a new sulfite cellulose plant in Doboj, rebuilding of a plant in Drvar which was destroyed during the war, new laboratories and workshops in Zagreb, and factories for the manufacture of felt, screens, and paper mill machinery. Construction of a new factory in Zagreb for the manufacture of roofing felt together with a "roto" and fine paper factory in Belgrade are scheduled for 1952. Another "roto" paper mill is to be built either at Vevce, south of Belgrade, or in Podravina. Plans for a new building to be built for the General Direction have not yet been worked out nor have funds been allocated for this project.

25X1C [REDACTED] Comment: This firm may possibly be identical with the export-import firm of George Adrien, Vienna XVIII, Weimarerstrasse 66.

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